

**REPORT OF THE AUDIT OF THE  
TAYLOR COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2004**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**TAYLOR COUNTY SHERIFF**

**For The Year Ended**  
**December 31, 2004**

The Auditor of Public Accounts has completed the Taylor County Sheriff's audit for the year ended December 31, 2004. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

**Financial Condition:**

Excess fees decreased by \$22,880 from the prior year, resulting in excess fees of \$6,115 as of December 31, 2004. Revenues increased by \$152,058 from the prior year and expenditures increased by \$174,838. The Taylor County Fiscal Court subsequently allowed the Sheriff to retain 2004 excess fees for 2005 operating expenses.

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities.



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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Paul W. Patton, Taylor County Judge/Executive  
Honorable John E. Shipp, Taylor County Sheriff  
Members of the Taylor County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Sheriff of Taylor County, Kentucky, for the year ended December 31, 2004. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Sheriff for the year ended December 31, 2004, in conformity with the regulatory basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated August 16, 2005, on our consideration of the Taylor County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Paul W. Patton, Taylor County Judge/Executive  
Honorable John E. Shipp, Taylor County Sheriff  
Members of the Taylor County Fiscal Court

This report is intended solely for the information and use of the County Sheriff and Fiscal Court of Taylor County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
August 16, 2005



TAYLOR COUNTY  
JOHN E. SHIPP, COUNTY SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2004

Revenues

Federal Grants		\$	61,551
State Grant - Kentucky Law Enforcement Foundation Program Fund			32,958
State Fees For Services:			
Finance and Administration Cabinet	\$	20,189	
House Bill 413		10,464	
Cabinet For Human Resources		180	
Sheriff Security Service		28,047	
Marijuana Task Force		<u>12,746</u>	71,626
Circuit Court Clerk:			
Fines and Fees Collected			5,570
Fiscal Court			162,046
County Clerk - Delinquent Taxes			677
Commission On Taxes Collected			237,788
Fees Collected For Services:			
Auto Inspections	\$	12,695	
Accident and Police Reports		3,958	
Serving Papers		17,178	
Carrying Concealed Deadly Weapon Permits		6,555	
Lake Patrol		25,188	
Summons Fees		8,460	
Transporting Mental Patients		<u>23,807</u>	97,841
Other:			
Sheriff's Tax and Penalty Fees	\$	31,825	
Miscellaneous		<u>5,271</u>	37,096
Interest Earned			3,796
Borrowed Money:			
State Advancement	\$	120,000	
Bank Note		<u>45,000</u>	<u>165,000</u>
Total Revenues		\$	875,949

The accompanying notes are an integral part of this financial statement.

TAYLOR COUNTY  
 JOHN E. SHIPP, COUNTY SHERIFF  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2004  
 (Continued)

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$ 298,703
Part-Time Salaries	107,368
Overtime	11,909

Employee Benefits-

Employer's Share of Retirement	6,004
Employer Paid Health Insurance	51,356

Contracted Services-

Advertising	1,597
Vehicle Maintenance and Repairs	9,897

Materials and Supplies-

Office Materials and Supplies	7,349
Uniforms	6,221

Auto Expense-

Gasoline	22,319
Mileage	202

Other Charges-

Carrying Concealed Deadly Weapon Permits	3,065
Cellular Phone	2,051
Drug Dog	658
Dues	568
Juror Meals	66
Law Enforcement	9,914
Postage	469
Summons to County	8,460
Training	4,887

Transporting Prisoners

5,031

Miscellaneous

263

Capital Outlay-

Office Equipment	1,044
Vehicles	45,928
Vehicle Equipment	6,748

Debt Service:

State Advancement	120,000
Notes	64,704
Interest	388

Total Expenditures

\$ 797,169

The accompanying notes are an integral part of this financial statement.

TAYLOR COUNTY  
JOHN E. SHIPP, COUNTY SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
For The Year Ended December 31, 2004  
(Continued)

Net Revenues	\$ 78,780
Less: Statutory Maximum and Training Incentive	<u>72,665</u>
Excess Fees Due County for 2004	\$ 6,115
Credit Allowed By Fiscal Court (Note 7)	<u>6,115</u>
Balance Due Fiscal Court at Completion of Audit	<u>\$ 0</u>

The accompanying notes are an integral part of this financial statement.

TAYLOR COUNTY  
JOHN E. SHIPP, COUNTY SHERIFF  
NOTES TO FINANCIAL STATEMENT

December 31, 2004

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Sheriff as determined by the audit. KRS 134.310 requires the County Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2004 services
- Reimbursements for 2004 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2004

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

TAYLOR COUNTY  
JOHN E. SHIPP, COUNTY SHERIFF  
NOTES TO FINANCIAL STATEMENT  
December 31, 2004  
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent for the first six months and 8.48 percent for the last six months of the year. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 18.51 percent for the first six months and 22.08 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2004, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the Sheriff's agent in the Sheriff's name.

TAYLOR COUNTY  
JOHN E. SHIPP, COUNTY SHERIFF  
NOTES TO FINANCIAL STATEMENT  
December 31, 2004  
(Continued)

Note 4. Note Payable

As of January 1, 2004, the office of the County Sheriff was liable for an unsecured note of \$64,444. On March 15, 2004 a payment of \$54,914 (\$15,584 from Fee Account and \$39,330 from Drug Forfeiture Account) was made. The remaining balance of \$9,530 plus interest of \$590 was renewed with an additional \$45,000 received for the purchase of vehicles. At year-end, the sheriff made a payment of \$49,120 from the Fee Account. As of December 31, 2004, the office of the County Sheriff is liable for an unsecured note payable to Citizens Bank and Trust Company for \$6,000. The note matures upon demand or as December 31, 2005 and the interest rate is 5 percent.

Note 5. Drug Forfeiture Account

The County Sheriff maintains a Drug Forfeiture Account. This account is funded by proceeds emanating from the confiscation, surrender, or sale of real and personal property involved in drug related convictions. These funds are to be used for law enforcement activities. As of January 1, 2004, the Sheriff had a balance of \$2,733. During the year, receipts totaled \$49,355 and disbursements totaled \$49,641. The balance as of December 31, 2004 was \$2,447.

Note 6. Sheriff Special Account

In August 2004, the County Sheriff opened a Special Account to maintain proceeds from court ordered sales. After the sale, the money is deposited into this account and sale expenses are made to the appropriate Order of Distribution of Funds. During the year, receipts totaled \$104,803 and expenditures totaled \$104,755. The balance as of December 31, 2004 was \$48.

Note 7. Excess Fees

For calendar year ending December 31, 2004, excess fees of \$6,115 was earned by the Taylor County Sheriff's office but were not remitted as required by KRS 134.310(6). The Taylor County Fiscal Court subsequently allowed the Sheriff to retain these fees for FY 2005 expenses.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Paul W. Patton, Taylor County Judge/Executive  
Honorable John E. Shipp, Taylor County Sheriff  
Members of the Taylor County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Taylor County Sheriff for the year ended December 31, 2004, and have issued our report thereon dated August 16, 2005. The County Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Taylor County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Taylor County Sheriff's financial statement for the year ended December 31, 2004, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development, and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

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Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
August 16, 2005

